

Rostec CEO Says Russian Military Budget May Shrink 10% in 2015

By [The Moscow Times](#)

February 23, 2015



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ABU DHABI — Russia's military budget may shrink by about 10 percent in 2015, the chief executive of state-owned defense conglomerate Rostec said Monday.

The country's defense spending will be watched closely this year, mainly in view of events in Ukraine, with Western nations accusing Moscow of providing weapons and soldiers to a separatist revolt in the country's east. Russia denies it has troops in eastern Ukraine.

Last month, Finance Minister Anton Siluanov said there should be a 10 percent cut across all sectors of government spending except for defense, which was considered ring-fenced by President Vladimir Putin.

However, even favored "power ministries" are beginning to feel the pressure of Russia's economic crisis and Sergei Chemezov — a key ally of Putin and among those targeted by

Western sanctions over Ukraine — indicated on Monday that cuts could even impact the military.

"It could shrink a bit, within 10 percent, but a decision is not yet made," Chemezov told a news conference on the sidelines of a defense conference in Abu Dhabi, the capital of the United Arab Emirates.

Having argued in September that Western-imposed sanctions would not impact Russia's defense industry, Chemezov admitted changes were having to be made in response.

"Sanctions have given us a kick to produce our own [equipment]," said Chemezov. "Before sanctions we procured from Ukraine, which has many defense plants and factories. By 2017, we plan to substitute all our imports."

In the absence of high oil prices, which have slumped since hitting their peak in June, defense equipment would be a useful source of hard currency for the Russian authorities, and Chemezov said the current strong dollar was beneficial for its arms exports.

Russia has an order book worth \$40 billion dollars for weapons over the next three to four years, with the biggest buyers coming from India, China, the Middle East and Latin America, Chemezov added.

Rostec has stakes in some of Russia's largest industries and partnerships with foreign companies, with interests in weapons, cars and metals.

It is expecting to have recorded sales of 1.3 trillion rubles (\$20.2 billion) in 2014, up from 1.04 trillion rubles in 2013, Chemezov said, adding that results would be released in March.

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